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ABSTRACT

As part of its "America 2000" strategy for education reform, the Bush Administration has proposed the authorization of "merit schools" grants to elementary and secondary schools based on their performance. Questions associated with the merit school concept include the treatment of private schools, consideration of schools' pupil population or resources, authorized uses of funds, criteria for measuring school performance, and the role of the governor. Evidence to either substantiate or refute the assumption that financial incentives will have desirable effects is severely limited. There are several state programs that authorize performance-based awards to schools, with few restrictions on the use of funds. Alternative merit school models that might be considered include tying merit grants to performance specifically under existing federal programs, such as the Chapter 1 program for disadvantaged children, providing merit grants to states meeting certain goals, or providing nonfinancial awards--such as regulatory waivers--to especially successful schools. (22 footnotes) (Author/MLF)

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CRS Report for Congress

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Merit Grants to Schools Based on Performance: the America 2000 Proposal

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EA 023 723

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MERIT GRANTS TO SCHOOLS BASED ON PERFORMANCE: THE *AMERICA 2000* PROPOSAL

SUMMARY

As part of its *AMERICA 2000* strategy for education reform, the Bush Administration has proposed the authorization of "merit schools" grants to elementary and secondary schools based on their performance. Under this program, the States would make grants, to be used for any educational purpose, to public and private schools that have significantly improved their performance. Each State's Governor would establish the criteria for selecting merit schools, although certain national criteria must be included along with the State criteria. The only proposed limitation on the use of merit school awards is that the activities be permitted by law and further the educational program of the school.

A similar proposal for "Presidential Merit Schools" was offered by the Bush Administration to the 101st Congress in 1989, and different bills authorizing a similar program were passed by both the House and Senate, but not enacted, in 1990. These bills differed significantly from the Administration proposal, limiting the range of eligible schools and the use of grants for private schools.

This merit schools proposal is based implicitly on an assumption that school staff and pupils will respond positively and effectively to financial incentives for increased performance, however that performance is defined by the States. A 1990 report by the National Governors' Association on strategies for achieving the National Education Goals supports the concept of financial rewards for effective schools. Questions associated with the merit school concept include the treatment of private schools, consideration of schools' pupil population or resources, authorized uses of funds, criteria for measuring school performance, and the role of the Governor.

The effectiveness of such financial incentives in elementary and secondary education is untested. Evidence to either substantiate or refute the assumption that financial incentives will have desirable effects is severely limited, mainly because such incentives have only recently been used in elementary and secondary education. There are several *State* programs that authorize performance based awards to schools, with few restrictions on the use of funds. Although all of these programs are relatively new--none existed before the mid-1980s--the number has increased substantially in recent years.

Alternative merit school models that might be considered include tying merit grants to performance specifically under existing Federal programs, such as the chapter 1 program for disadvantaged children, providing merit grants to States meeting certain goals, or providing nonfinancial awards--such as regulatory waivers--to especially successful schools.

TABLE OF CONTENTS

THE PROPOSAL AS INTRODUCED BY THE ADMINISTRATION . 1
- 101st Congress Legislation . . . 3
  - Administration Proposal . . . 3
  - Congressional Response . . . 3
- Rationale and Discussion of the Merit School Concept . . . 5
- Other Issues Regarding the Administration's Merit School Proposal . . . 6
  - Treatment of Private Schools . . . 7
  - Consideration of Schools' Pupil Population or Resources . . . 8
  - Authorized Uses of Funds . . . 8
  - Criteria for Measuring School Performance . . . 9
  - Role of the Governor . . . 9
- Similar Federal and State Programs . . . 10
- Additional Policy Options . . . 12
  - Tie Merit Grants to Performance Under Existing Federal Programs . . . 13
  - Provide Merit Grants to States Meeting Certain Goals . . . 13
  - Emphasize Nonfinancial Rewards, Such as Regulatory Waivers, for Especially Successful Schools . . . 13

MERIT GRANTS TO SCHOOLS BASED ON PERFORMANCE: THE *AMERICA 2000* PROPOSAL

THE PROPOSAL AS INTRODUCED BY THE ADMINISTRATION

As part of its *AMERICA 2000* strategy for education reform, the Bush Administration has proposed the authorization of "merit schools" grants to elementary and secondary schools, based on their performance. Under this program, the States would make grants, to be used for any educational purpose, to public and private schools that significantly improved their performance with respect to State-determined criteria. The authorized funding level would be $100 million for fiscal year (FY) 1992, and "such sums as may be necessary" for FY 1993-1996. The Administration has requested that $100 million be appropriated for this program for FY 1992.

Introduced as title II of the "AMERICA 2000 Excellence in Education Act" (S. 1141, H.R. 2460), the merit school initiative is similar to legislation considered by the 101st Congress (see later discussion). Under the current proposal, funds would be allocated to the States in proportion to their grants under the basic and concentration grant provisions (sections 1005 and 1006) of chapter 1, title I, Elementary and Secondary Education Act (ESEA), education for disadvantaged children. Thus, funds would be distributed primarily on the basis of each State's number of children aged 5-17 years in poor families, multiplied by a State cost factor that is tied to its average per pupil expenditure for public elementary and secondary education.[1] Up to 2 percent of the total appropriations could be set aside for evaluations and dissemination, plus a total of 0.25 percent for grants to the territories.

States would be allowed to use up to 5 percent of their grants to administer the merit school program. Each State's Governor would establish the criteria for selecting merit schools, although certain national criteria must be included along with the State criteria. The national criteria for school selection are that merit schools must exhibit: significant improvement in the number of students who meet the National Education Goal of leaving grades 4, 8, and 12 having demonstrated competency in challenging subject matter;[2] use of objective

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[1]For additional information on the chapter 1 basic and concentration grant allocation formulas, see U.S. Library of Congress. Congressional Research Service. *Education for Disadvantaged Children: Major Themes in the 1988 Reauthorization of Chapter 1.* CRS Report for Congress No. 89-7 EPW, by Wayne Riddle. Washington, 1989.

[2]For information on the National Education Goals, see U.S. Library of Congress. Congressional Research Service. *National Education Goals--Federal*

(continued...)

measures of progress that are established by the State and approved by the U.S. Secretary of Education; and public dissemination of information about the school's status through an annual "report card."

Each State Governor might add supplementary criteria regarding school performance, and in applying the State--but not the national--criteria would take into account differences in schools' pupil composition, especially their proportion of children from low-income families. The States would be required to award at least 20 percent of the funds to schools exhibiting outstanding improvement specifically in the mathematics and science achievement of their students. The Governors would also establish criteria for setting the value of merit school awards; those criteria must include consideration of each school's size and the "economic circumstances" of its students. The Governor would name a broadly representative review panel to assist him or her in the selection of schools. With the approval of the U.S. Secretary of Education, a Governor may designate a share of the State's merit school grant to be withheld for making grants up to 2 years after the year for which the funds were appropriated.

Selection criteria would be applied equally to private and public schools. Thus, it may be anticipated that private schools would receive a portion of the merit school grants. If a State's Governor is prevented from, or unwilling to, make such awards to private schools, the U.S. Secretary of Education would arrange for them to be made via a "by-pass" mechanism. This provision of Federal funds to private, including religiously affiliated, schools may raise concerns about the constitutionality of grants to religiously affiliated schools.[3]

The only proposed limitation on the use of merit school awards is that the activities be permitted by law and advance the educational program of the school. Several possible uses of the grants are suggested, but the suggestions are not intended to be limiting. The suggested uses of funds include: development or implementation of special programs; acquisition of instructional equipment or materials; salary bonuses for school staff; postsecondary education scholarships; parental and community involvement activities; or dissemination of exemplary practices to other schools.

Finally, Federal, State, and local governments may not take a school's receipt of a merit school grant into account in determining the amount of other

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[2](...continued)
Policy Issues. CRS Issue Brief No. IB91077, by Wayne Riddle, James B. Stedman, and Paul M. Irwin, (regularly updated). Washington, 1991. (Hereafter cited as U.S. Library of Congress, *National Education Goals--Federal Policy Issues*)

[3]Current Federal elementary and secondary education programs generally provide for participation by eligible private school pupils, but do not grant funds directly to private schools, especially if the schools are religiously affiliated. This issue is discussed further in a later section of this report.

support that the school may receive. This is intended to prevent agencies from reducing other grants to schools that have received merit school awards.

101st Congress Legislation

Administration Proposal

A proposal for "Presidential Merit Schools" was offered by the Bush Administration to the 101st Congress in 1989. Different bills authorizing a similar program were passed by both the House and Senate, but not enacted, in 1990. The Bush Administration's earlier merit school proposal differed from the 102d Congress version in the following respects. The 101st Congress Administration proposal would have allocated one-half, not all, funds in proportion to chapter 1 grants, with the remainder allocated on the basis of population aged 5-17 years. The earlier merit school proposal lacked references to the National Education Goals, since these had not yet been adopted by the President and the Governors. The 1989 proposal would have explicitly prohibited private schools from using funds for religious worship or instruction. Finally, the authorized funding level was higher under the 1989 proposal--$250 million for FY 1990, rising to $500 million for FY 1993.

Congressional Response

The 101st Congress bills containing the merit schools grants, among several other provisions, were the Senate-passed version of S. 695, the "Educational Excellence Act of 1990" (passed by the Senate on February 7, 1990), the House-passed version of that bill, the "Equity and Excellence in Education Act of 1990" (passed by the House on July 27, 1990), and H.R. 5932, the "Educational Equity and Excellence Act of 1990" (passed by the House on October 26, 1990). H.R. 5932 was a compromise bill containing provisions based on the two versions of S. 695 plus several other bills; it was passed by the House in the final days of the 101st Congress, but not finally acted upon by the Senate.

In its version of **S. 695**, the **Senate** would have authorized a program for Presidential Schools of Distinction, but with "triggers" on the appropriations authorization--i.e., minimum funding levels that must be provided for certain other programs before funds could have been appropriated for merit schools--that would have made actual funding relatively unlikely. While any public or private elementary and secondary school would be eligible for a merit school grant under either of the Administration's proposals in the 101st and 102d Congress the Senate bill in the 101st Congress would have limited eligibility to schools participating in the ESEA title I, chapter 1, program of aid for the education of disadvantaged children.

The Senate bill in the 101st Congress also would have **required** that school selection criteria take into account the composition of each school's student body, especially the proportion of pupils from low income families. The Senate version of S. 695, 101st Congress, further provided that an equal number of

grants must be made to elementary and secondary schools in each State, and that at least one school be selected from each congressional district.

The Senate bill in the 101st Congress would have authorized **private** schools to use Presidential Schools of Distinction grants only for "capital expenses"[4] intended to facilitate participation of private school pupils in chapter 1 programs. Although analysis of the issue is beyond the scope of this report, the constitutionality of either the Administration or the S. 695/Senate provisions for merit school grants to private schools may be questioned (see later discussion of this issue).

The provisions of the **House**-passed version of **S. 695**, 101st Congress, for merit schools were very similar to those of the Senate bill. Although there was also a funding "trigger" in the House version, it was more likely to be met than the Senate version's "trigger." Unlike the 101st Congress' Administration proposal and the Senate bill, the House version of S. 695, 101st Congress, would have provided that **all** funds, not just one-half, be allocated to the States in proportion to chapter 1 basic grants. The House version did not contain the Senate bill's requirement that at least one school be selected in each congressional district.

The House and Senate versions of S. 695, 101st Congress, differed significantly with respect to the authorized uses of funds. For **public** schools, the Senate bill followed the Administration proposal in allowing merit school grants to be used for virtually any "activities that further the educational program of the school" (section 4710). Several specific activities were suggested, but the list was not intended to be exhaustive, and no specific uses of funds would have been prohibited. In contrast, the House bill would have prohibited the use of funds for a variety of activities, including one activity specifically suggested in the Senate bill. Prohibited uses of funds under the House version of **S. 695** would have included construction, salaries, "general expenses," **administrative expenses**, and salary bonuses, the last of which would have been **explicitly** authorized in the Senate version.

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[4]Under the ESEA title I, chapter 1 program for the education of disadvantaged children, services are provided to both public and private school pupils who meet the eligibility requirements (primarily that they be among the most educationally disadvantaged children who reside in their local educational agency's school attendance areas with the greatest number or percentage of children from low-income families). However, under chapter 1, public agencies retain control of all funds, including those used to serve private school pupils. As a result of a 1985 Supreme Court decision (*Aguilar* v. *Felton*), public school staff are prohibited from providing chapter 1 services to pupils of religiously affiliated private schools at the facilities of those private schools. The chapter 1 "capital expenses" provision was developed as a means of paying for part of the costs of serving private school pupils at sites other than their own schools--e.g., mobile vans or leased space at "neutral" (i.e., owned by neither the private school nor the public school district) facilities.

For **private** schools, where the Senate bill would have limited uses to chapter 1 capital expenses but would not have prohibited the private schools from directly receiving funds, the House bill followed the model of the current chapter 1 program in maintaining public agency control of funds. If a private school would have been selected to receive a merit school award under the House bill, the funds would have been allocated to the public local educational agency (LEA). The LEA would then have used these funds to improve chapter 1 services for eligible children attending the private school.

Finally, under **H.R. 5932**, provisions that were similar in the two versions of S. 695, such as limiting eligibility to schools participating in the chapter 1 program, were retained. All funds would have been allocated to the States in proportion to chapter 1 basic grants. The provisions of the House-passed version of S. 695 were followed with respect to uses of funds on behalf of private schools. The S. 695/House provision regarding prohibited uses of funds, including salaries and bonuses, was incorporated into H.R. 5932; however, H.R. 5932 also contained the S. 695/Senate provision explicitly allowing funds to be used for bonuses to teachers or aides.

Rationale and Discussion of the Merit School Concept

The report accompanying the Administration's current merit school proposal, *AMERICA 2000 An Education Strategy*, says the following with respect to the merit school proposal,

> Individual schools that make notable progress toward the national education goals deserve to be rewarded. Congress will be asked to enact a new program that will provide Federal funds to States that can be used as rewards for such progress. States may "bank" those funds over several years to create even more incentives for successful schools and teams of school professionals. (p. 13)

Earlier, when introducing their 1989 merit school proposal, the Bush Administration offered additional justification for this concept. According to the Administration's February 1989 report, *Building a Better America*, the merit school concept is based on the following principles:

- Educating all students to their full potential should be a basic goal of all schools;
- Demonstrated school-wide progress in achieving excellence deserves public recognition and support; and
- Financial incentives can spur schools with especially difficult problems to significantly improve their educational achievement.[5]

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[5]Executive Office of the President. *Building a Better America*. Feb. 1989. p. 51.

This proposal is based implicitly on an assumption that school staff and pupils will respond positively and effectively to financial incentives for increased performance, however that performance is defined by the States. A 1990 report by the National Governors' Association (NGA) on strategies for achieving the National Education Goals supports the concept of financial rewards for effective schools. In this report, the NGA advises the Governors to develop a "wide range of incentives . . . including . . . financial rewards" that would "create powerful incentives for improvement."[6] Another recent NGA report endorses merit school grants as part of a system for making schools accountable for results, although it also cautions policymakers to exercise care in selecting the measures upon which school performance will be determined:

> Rewards and sanctions can stimulate change when used appropriately; they can undermine improvement when based on ill-conceived definitions of success and failure.[7]

The effectiveness of such financial incentives in elementary and secondary education is untested. Evidence to either substantiate or refute the assumption that financial incentives will have desirable effects is severely limited, mainly because such incentives have only recently been used in elementary and secondary education (see following section). It might be questioned whether the proposed program provides an effective incentive to anyone other than a school's principal or other chief administrator(s), since only those individuals would generally be able to determine the use of a merit grant if one were received. No other individuals in a school would face a direct relationship between their efforts and the reward of increased control over financial resources, although administrators would presumably choose to use the grants to benefit the entire school community, and all those associated with the school could share in the reward of recognition of their efforts. Merit school funds could also be used to pay salary bonuses to teachers, but only if the principal chose to do so.

Other Issues Regarding the Administration's Merit School Proposal

In addition to debate over the nature and potential efficacy of the merit school concept, several more specific issues arise with respect to the Administration proposal. These issues include the treatment of private schools, consideration of schools' pupil population or resources, authorized uses of funds, criteria for measuring school performance, and the role of the Governor.

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[6]National Governors' Association. *Educating America: State Strategies for Achieving the National Education Goals*, 1990. p. 18.

[7]National Governors' Association. *From Rhetoric to Action, State Progress in Restructuring the Education System.* 1991. p. 32. (Hereafter cited as *National Governors' Association, From Rhetoric to Action*)

Treatment of Private Schools

As has been mentioned earlier, current Federal elementary and secondary education programs generally serve eligible children who attend private schools, but only in rare cases are Federal funds provided directly to private schools. Typically, the control of funds remains in a public agency, which then provides services--directly or indirectly--to private school pupils who meet the eligibility requirements of the Federal program in question. Program regulations usually require the public agency to assure that only secular instructional services are provided to the private school pupils with the Federal funds. In no case does the Federal Government provide funds to a private school without limits on their use, as the Administration bill proposes.

In the past, Federal courts have deemed many forms of Federal or State support of religiously affiliated private schools to violate the Federal Constitution. In general, such aid has been rejected if it failed to meet any parts of a 3 part test--that the aid program: (1) serve a predominantly secular purpose; (2) not lead to "excessive entanglement" of public officials with religious institutions; and (3) not have a primary effect of advancing or inhibiting religion.[8] While a rigorous analysis of the potential constitutional difficulties of the Administration's proposal is beyond the scope of this report, the proposal might have difficulty meeting these requirements.

The proposal's only limitation on the use of merit school grants by private schools is that the activities should be "otherwise permitted by law" (section 208). This may imply that the Administration's strategy is to leave decisions on allowed uses of funds by private schools to the courts. While the lack of provisions for control or monitoring the use of funds might be said to reduce "entanglement" problems, it raises the potential for religiously affiliated schools to use merit school grants for nonsecular purposes. The regulations for current Federal elementary and secondary education programs under which instructional equipment or materials are purchased for or lent to private schools require local public school officials to assure that these are used only for secular purposes; the merit school proposal contains no such requirements. One reason for this may be that under current programs, private schools participate only if the local public schools participate, but under the Administration's merit school proposal, a private school may win an award without any involvement by the local public schools.

The House and Senate bills in the 101st Congress contained provisions intended to deal with these concerns. The Senate version of S. 695 limited the use of funds by private schools to activities authorized under the "capital expenses" provision of ESEA title I, chapter 1. The House bill required that the control of funds for private schools be exercised by public school authorities, and

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[8]See, for example, U.S. Library of Congress. Congressional Research Service. *The Constitutional Boundaries of Public Aid to Parochial Schools: An Analysis of Meek v. Pittenger*. CRS Report for Congress No. 75-139A, by David Ackerman. Washington, 1975.

that funds be used only for activities authorized in chapter 1. In both cases, current program models for serving private school pupils were followed. The current State merit school programs avoid this issue by excluding private schools from participation.

Consideration of Schools' Pupil Population or Resources

Another key issue with respect to merit school proposals is whether grants would typically reward advantaged schools and students, in spite of adjustments that States might make in consideration of schools' varying pupil characteristics. The Administration proposal provides that school differences in student body composition would be taken into account only with respect to State, but not national, selection criteria. However, all selection criteria might implicitly and indirectly take pupil demographics into consideration to the extent that they are based on achievement **growth**, rather than the absolute level of achievement, since growth might be easier in some respects for those with a low base level of achievement.[9]

The "conventional wisdom" in American elementary and secondary education is that scarce financial resources should be directed to schools with the greatest needs, and frequently with low achievement levels, not those with the highest performance. As is discussed above, legislation passed by the House and Senate in the 101st Congress dealt with this concern by making adjustments for pupil characteristics mandatory. Both 101st Congress bills also would have limited eligibility to schools participating in the chapter 1 program for disadvantaged children. Additional, indirect controls for pupil characteristics could be applied by basing selection criteria on achievement growth, or taking into account school resources such as by comparing schools only with others with similar spending or resource levels. Schools might also be selected by applying statistical formulas that "predict" their achievement levels, based on pupil characteristics and school resources, and selecting only schools where the achievement is significantly higher than "predicted."

Authorized Uses of Funds

There are general concerns about the authorized uses of funds under merit school programs, aside from the specific application of this concern to private schools. The primary argument in favor of minimal limits on fund use, as is proposed by the Administration, is that successful school officials should be trusted to use the grant appropriately and effectively, and should not be burdened with governmental controls in this area. However, the provision of virtually unrestricted aid is quite rare in Federal elementary and secondary

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[9]It is unclear to what extent selection criteria under the Administration proposal would be based on achievement growth, rather than absolute achievement levels. While the national selection criterion refers to "progress" in "increasing" the number or percentage of pupils meeting one of the National Education Goals, the description of the State criteria does not specifically refer to achievement growth.

education legislation; the only large program fitting that description currently is impact aid, which is intended to compensate LEAs for the loss of local tax revenues due to the presence of Federal Government facilities that cannot be taxed by State or local governments. These funds are unrestricted in their use primarily because they are indirectly replacing local tax revenues that would have been available for any purpose.

Several of the State merit school programs exclude certain activities from authorized uses of awards (see the description of these programs later in this report). For example, Texas awards may not be used for athletics or teacher salary bonuses, while those in Indiana may not be used for these purposes or local tax relief. The 101st Congress bills would have limited uses to those authorized for the chapter 1 program--supplementary educational and related services intended to meet the special needs of educationally disadvantaged children.

Criteria for Measuring School Performance

While the Administration proposal leaves the selection of criteria, and measures to evaluate school performance in relation to the criteria, primarily to the States, the issue of how school performance should be measured cannot be avoided. Existing measures of pupil performance, whether developed at the State or national level, have many limitations, and are currently the focus of much debate among educators and policymakers. Further, the importance of this issue is reflected in the quotations above from the NGA (page 6).

The measures currently used in State merit school programs are frequently either relatively basic (e.g., attendance rates) or are based on existing standardized achievement tests. There has been much criticism of many of these tests in recent years--e.g., that they are biased against female or ethnic minority students, they are often poorly coordinated with the schools' curricula, and they measure a relatively narrow range of academic skills, not the higher order and problem-solving skills pupils will need in their future careers and lives.[10] Some States--e.g., California, Connecticut, and Vermont--are now substantially revising their testing programs, albeit not in the context of merit school programs or proposals, to incorporate achievement measures well beyond what can be learned from traditional multiple choice tests. These issues will also be raised in the States if a merit school program similar to that proposed by the Administration should be enacted.

Role of the Governor

While most Federal elementary and secondary education statutes refer to the State education agency (SEA) as the immediate recipient of Federal funds, and as the agency responsible for administering the program within the State, the Administration's merit school proposal refers to the Governor as having

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[10]See, for example, National Commission on Testing and Public Policy. *From Gatekeeper to Gateway: Transforming Testing in America*. 1990.

these responsibilities. While this difference might cause minimal difficulty or confusion in most States, there are several States where the governance structure for elementary and secondary education might create administrative or political problems in carrying out this program as proposed.

In approximately one-half of the States, the chief State school officer is either directly elected, or is appointed by a State board of education that is directly elected, separately from the Governor.[11] In these States, in particular, the SEA often operates independent from direct control by the Governor. As a result, it is questionable whether a new Federal program, especially one where the States would be given great discretion in the selection of grantees, should be the responsibility of the Governor, rather than the SEA.

Proponents of the Administration proposal might argue that it would emphasize the leadership role and responsibilities that the Governors have been encouraged to take in recent years, especially during the 1989 national summit conference on education and the subsequent development of the National Education Goals.[12] In contrast, it might be argued that new Federal education assistance programs should be administered fully by the primary State agency responsible for education--the SEA, led by its chief State school officer and State board of education--and should not overemphasize the role of the Governor, whose influence over education policy is limited in some States.

Similar Federal and State Programs

No current *Federal* education program is similar to the merit school proposals in the sense of providing performance based awards to institutions to be used for a wide variety of educational purposes. A provision added to ESEA title I, chapter 1 by P.L. 100-297 does authorize LEAs, with State approval, to use up to 5 percent of their chapter 1 basic grants for specified types of "innovation projects." Among the types of "innovation projects" for which these funds may used are "incentive payments to schools that have demonstrated significant progress and success in attaining the goals of" chapter 1 (section 1011(b)(3)). These incentive payments are subject to the same restrictions on their use that apply to other chapter 1 grants--e.g., they may be used only to provide supplementary educational and related services to meet the special needs of educationally disadvantaged children. Further, none of the chapter 1 incentive payments may be distributed to private schools, although they may go to the school attendance areas in which private school pupils are served, and therefore might be used to enhance chapter 1 services to eligible children attending private schools.

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[11]Education Commission of the States. *State Governance of Education*. 1983.

[12]For further information, see U.S. Library of Congress, *National Education Goals: Federal Policy Issues*.

There are several *State* programs that authorize performance-based awards to schools, with few restrictions on the use of funds. Although all of these programs are relatively new--none existed before the mid-1980s--the number has increased substantially in recent years, perhaps partly because the concept has been promoted by the NGA (see above). Several of these programs are described briefly below. They have been so recently adopted that some of them are authorized but not yet funded (e.g., Mississippi), or funded but not yet fully implemented (e.g., Texas). Unlike the *AMERICA 2000* merit school proposal, none of these State programs authorizes grants to private schools or services to pupils attending private schools.

The **Florida** District Quality Incentives Program provides financial awards to "meritorious" schools that meet performance goals established by their LEA in such areas as verbal and quantitative skills, attendance, and parental involvement. Participation in the competition is voluntary on the part of LEAs; 30 of the State's 67 LEAs have done so in recent years. Ten million dollars were appropriated for this program for school year 1986-87. While funds may be used for any instructional purpose, reportedly most LEAs use them for teacher salary bonuses.[13]

Indiana's program was implemented in the 1989-1990 school year.[14] Ten million dollars have been appropriated for each of that year and 1990-91 for grants to schools where achievement test scores and attendance during the preceding year have increased over the second preceding year. Forty percent of the funds are distributed to all qualifying schools in equal amounts per pupil enrolled, while 60 percent of the funds are distributed in proportion to enrollment plus the degree of improvement in achievement and attendance. Funds can be used for virtually any educational purpose other than athletics, teacher compensation, or to supplant local tax revenues. Recipient schools are encouraged to use these funds to establish their own incentive programs within the schools, such as awards to pupils and classes whose performance improves.

Under a law recently enacted, but for which implementing funds have not yet been provided, **Mississippi** has authorized a new program of incentive grants to both schools and LEAs for improvements in pupil performance.[15] Under **North Carolina's** new program, schools that meet State and local goals for performance--including pupil test scores, parental involvement, and attendance--may be awarded additional funds, including grants for teacher salary bonuses.[16]

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[13]Financial Awards for Top Schools Are Gaining Favor. *Education Week*, Sept. 27, 1989.

[14]Source for information on the Indiana program: Mr. Vince Schrader, Indiana Department of Education.

[15]National Governors' Association, *From Rhetoric to Action*, p. 47.

[16]National Governors' Association, *From Rhetoric to Action*, p. 49.

Pennsylvania adopted the School Performance Incentive Program in 1988, which provides a total of $5 million per year to schools that significantly improve pupil achievement in mathematics and reading, substantially reduce their dropout rate, or raise average scores of graduating students on the Scholastic Aptitude Test. In 1990, grants were made to 235 schools, with funds distributed among winning schools in proportion to their number of teachers. The use of awards is determined by all of the staff at the schools.[17]

South Carolina's School Incentive Reward Program provides both recognition and financial grants to schools whose students exhibit gains in reading and mathematics achievement plus attendance. Schools compete with others having similar resources. In the 1987-88 school year, $3.9 million was allocated to 274 public schools, 16 regional vocational education centers, and 7 LEAs[18] under the South Carolina program.[19]

Texas has implemented a new Governor's Educational Excellence Awards for Gains in Performance program that made its first awards in 1990. The initial awards were given to schools largely on the basis of improvement in pupil standardized achievement test scores, but reportedly later awards will also consider improvement in dropout or graduation rates, attendance, and parental involvement. The awards can be used at the schools' discretion, but not for salary increases or athletics.[20] Finally, in **Utah**, the Governor's Schools of Excellence program provides $10,000 awards to 20 outstanding schools per year.[21]

Additional Policy Options

The major issues related to the Administration's merit school proposal, and alternatives that were considered by the 101st Congress, were discussed above. In this final section, we briefly discuss selected additional alternative merit school proposals--tying merit grants to performance under existing Federal programs, providing merit grants to States meeting certain goals, or providing nonfinancial awards--such as regulatory waivers--to especially successful schools.

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[17]Source: Letter from the Office of the Secretary of Education, Commonwealth of Pennsylvania.

[18]LEAs receive grants if awards are made to two-thirds or more of the schools in the LEA.

[19]*Rewarding Good Teachers and Schools*. The Council of State Governments (newsletter), Aug. 1988. p. 27.

[20]*Education Week*, June 20, 1990 and Nov. 21, 1990; and National Governors' Association. *From Rhetoric to Action*, p. 50.

[21]National Governors' Association, *From Rhetoric to Action*, p. 50.

Tie Merit Grants to Performance Under Existing Federal Programs

One alternative might be to expand upon the concept contained in the current authorization for LEAs to use a small share of chapter 1 funds for bonus grants to especially successful chapter 1 programs. For example, this authority might be expanded, with a separate authorization of appropriations, and might be conducted on a statewide basis rather than simply within LEAs. The concept might also be expanded to other traditional Federal program areas, such as education of the disabled, education for pupils with limited English language proficiency, science and mathematics education, or vocational education. While this approach would be more narrow than the Administration proposal, it would have the advantage of being associated with areas of special Federal concern, and would assure that additional funds would be used in those areas of need. As with any merit school proposal, there would be significant questions of how to measure performance.

Provide Merit Grants to States Meeting Certain Goals

One alternative merit school bill that has been introduced in the 102d Congress is H.R. 2974, introduced on July 23, 1991, by Representative Gephardt as the "Rewards for Results Act of 1991." This bill associates the concept of financial incentives with the National Education Goals, but the incentive would apply at the State level, not to individual schools.

The first National Education Goal, that every child enter school ready to learn, would be supported by grants to the States of $250 to $1,000 for each child, from families with income below a specified level, either reaching the age of 1 year or entering school after having received certain health and/or early educational services. The funds so received would have to be used for such early childhood health and education services. Another Goal, that American students' achievement in mathematics and science be the highest in the world, would be the focus of grants of $2,500 to $5,000, to be used for postsecondary scholarships, to each high school senior whose mathematics and science achievement scores surpass the average score for students in the highest scoring nation (on a test selected by the National Education Goals Panel). Additional grants of $250 to $2,500 for each such student would be paid to the State. This bill is of interest for its general approach, especially its emphasis on statewide efforts to meet the National Education Goals.

Emphasize Nonfinancial Rewards, Such as Regulatory Waivers, for Especially Successful Schools

An alternative form of merit school program might offer **nonfinancial** rewards to schools deemed to be especially successful. One such alternative is the concept of "conditional deregulation"--waiving certain types of Federal or State regulations with which the school would otherwise have to comply. The *AMERICA 2000* bill contains a separate conditional deregulation proposal, but it is tied to improved outcomes **after** regulations are waived, rather than

regulatory waivers as a reward for performance improvements that have already occurred.

Which approach, if either, would be most effective is uncertain, and the entire conditional deregulation concept is subject to debate.[22] Nevertheless, this alternative might constitute a reward strategy that avoids some of the difficulties associated with financial awards, as discussed above.

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[22]For further information on this concept and the Administration proposal, see U.S. Library of Congress. Congressional Research Service. *Conditional Deregulation of Federal Elementary and Secondary Education Programs: the AMERICA 2000 Proposal*. CRS Report for Congress No. 91-531 EPW, by Wayne Riddle. Washington, 1991. 6 p.